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ABSTRACT

The importance of international expertise to American international firms, the kinds of international expertise needed by managers, and how these skills are acquired were studied. In addition to providing information for business, the findings may help colleges in preparing international studies graduates. Using either interviews or questionnaires, views were elicited from 233 managers in 126 very large companies: Fortune 500 industrial firms and money center banks doing business abroad. International expertise was defined as knowledge of social, economic, political, and legal systems. The ability to operate abroad, interpersonal skills, and country knowledge were rated as important by the managers, as was understanding differences among countries. Most managers felt international expertise was important but not as essential as technical, functional, and organizational skills. Foreign language ability was also seen as an asset but not critical. Managers noted specific values of language skills, including cultural understanding and finding information. Managers gained knowledge of other countries largely through business travel, overseas assignments, and experience abroad (particularly interpersonal interaction), as well as by reading. Contacts that can provide additional country knowledge were also identified. (SW)

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IIE RESEARCH REPORT NUMBER SIX

international expertise in american business

HOW TO LEARN TO PLAY WITH THE KIDS ON THE STREET

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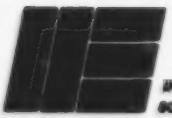
Funding was provided by the Exxon Education Foundation



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Preface

A major concern of organizations and individuals who are involved in international educational exchange is the relationship between education with an international dimension—studying in or about foreign countries—and subsequent career opportunities in international business. How valuable is study abroad, whether by foreigners in the United States or by Americans in other countries? How valuable is knowledge of foreign languages and foreign societies?

To better understand the opinions of American managers on this subject, Professor Stephen Kobrin of New York University has undertaken this study, which explores the kinds of international expertise managers need to perform their jobs, how they acquired it, and how important they perceive international expertise to be. The report suggests that neither the managers nor the universities which hope to supply appropriately trained graduates to international corporations fully appreciate the realities of international business.

Corporations are surely not wittingly jeopardizing their worldwide competitiveness by their staffing practices, but they may, in fact, if present trends continue, find themselves increasingly handicapped in understanding the world in which they operate. Similarly, universities are not wittingly jeopardizing the employability in busi-

ness of the graduates of their international studies programs or schools of international affairs, but those graduates will in fact be handicapped unless they have stronger backgrounds in business skills. In his conclusions, Professor Kobrin tries to enlarge the perspectives of both corporations and universities, to enable them to adjust more effectively to the situations in which they operate.

The Institute of International Education is pleased to publish this study as a component of its research program, and more particularly as one of several efforts to examine the impact of international educational experiences on business careers. In two previous studies—an assessment of the ITT International Fellowship Program and an exploration of the retrospective judgments of Brazilian students about their U.S. educational experiences—there has been some attention to this issue; the present study makes the issue its focal concern.

Elinor G. Barber
Institute of International Education
October, 1984

Author's Note

This report has a dual focus: educational institutions and business firms. It is intended to help universities evaluate private-sector demand for international-studies graduates and the sort of education that makes graduates attractive job candidates and successful managers. It is also intended to help managers understand the range of skills and abilities they need to be successful internationally, and, by extension, the kind and extent of international expertise companies need to compete effectively abroad. In the last chapter, I suggest implications for both educational institutions and business firms; I hope others will draw their own conclusions and that the report will stimulate discussion of this important topic.

In conducting this study, I was explicitly concerned with the importance of international expertise in business. I did not ask managers about putative demand for Spanish majors or African specialists, but rather, what kind of international expertise they need to do their jobs, how important it is to them, and how they have acquired it.

It is important to note that I could not directly assess either the need for, or the quality of, international expertise. I obtained data only on managerial perceptions. While I am confident that the sample is representative of large American firms and that responses are

relatively accurate representations of respondents' beliefs, there is obviously no way to judge objectively whether or not they are correct. The range of response is broad enough to allow the reader to draw his or her own conclusions about the importance of international expertise.

Elinor Barber of the Institute of International Education had the original idea for this project and has been the driving force behind it ever since. She has been an active contributor to all stages of the study. Arnold Shore, of the Exxon Education Foundation which funded this effort, and Jim Greene of The Conference Board provided useful guidance in planning. David Blake and Lou Wells read an earlier draft and their extensive comments were very valuable in making revisions.

In the end, it is the managers I interviewed and surveyed who made this study possible. The vast majority of people contacted readily agreed to be interviewed and typically took it upon themselves to arrange meetings with others in their firm. They all gave very generously of their time, and I was overwhelmed with their hospitality. It was worth doing the study just to get a chance to meet and talk with them.

Stephen J. Kobrin

1.
Introduction

Recent developments in transport, communications, and information processing have reduced temporal and spatial distance almost to the vanishing point. Professionals whose parents may have marvelled at being able to drive to town for an hour on a whim, or telephone their doctor when the need arose, think nothing of flying to Paris for a one-day meeting or calling four continents in the course of a morning's work. Many of the senior international managers interviewed for this report are abroad over half of the year. One had visited over 100 countries during his career; others are regularly involved with subsidiary firms in 30 or more countries.

There is more contact than ever before between individuals who speak different languages and come from different cultural and political backgrounds, but although our world is becoming integrated geographically and economically, it remains fragmented culturally, socially, and politically. While geographic distance shrinks with technological innovations, cultural barriers crumble at a much slower pace. Our behavioral patterns, attitudes, and values are deeply ingrained and slower to change.

Businesspeople today are regularly involved with individuals from very diverse backgrounds in countries with social and political systems quite different from their own. This adds a new dimension to

the task of American managers. At home, cultural, social, and political differences matter only in exceptional situations; market demographics, competition, and technical developments are the primary focus of external attention.

Country knowledge and international expertise clearly play a role in international business, where managers must deal with differences in language, religion, and law, in social, political, and economic systems.

However, there is considerable disagreement among the international businesspeople about the importance of international expertise. While few would deny the extent of the differences encountered internationally, the *meaning of* these differences *for* the manager and his or her firm is less clear. Some experienced international managers argue that products are products, business is business, and even that people are people, anyplace in the world, and they say that an undue concern about language, culture, religion, or politics is a waste of time. They argue that while some adjustments might be required, an effective and successful manager in the United States will be effective and successful anywhere.

Others feel that it is these differences that are of great consequence to the overseas manager. They note that the very traits that account for success at home—such as aggressiveness and an ability to focus directly on the critical issue—can be counterproductive in other cultures. They feel that international effectiveness requires a great deal more than technical expertise or a good track record in the United States. As would be expected, many managers' opinions fall between these poles.

This study was undertaken to explore these issues. How important is international expertise to the American international manager and how much does it really contribute to effective performance abroad? How have managers developed international expertise and where do they turn when they need more information?

The study focuses on large, international American firms, companies that literally span the globe to do business in a large number of very different places. For many of them, however, their status as global competitors is quite new.

The Internationalization of American Business

While a number of American firms have a long history of overseas involvement, the *internationalization* of U.S. business has taken place in the past three decades. The foreign share of earnings in

all industries increased from 8.6 percent in 1957 to 26.9 percent in 1974.[1] By 1980, over 200 of the 500 largest industrial firms generated at least 20 percent of their sales abroad and over 60 generated 40 percent or more overseas.[2] The international expansion of American business is most clearly seen in the establishment of foreign subsidiaries. This number more than doubled from 1950 to 1960 (2,196 to 5,142), and then doubled again from 1961 to 1975 (5,142 to 10,849).[3] The internationalization of American business reflects internationalization of the economy as a whole in response to increasing global economic integration after World War II. Exports as a percentage of GNP, for example, increased from 4.8 percent in 1960 to 9.6 percent in 1981. The number of workers employed in the production and export of manufactured goods doubled between 1972 and 1981.[4]

Internationalization means a great deal more than additional foreign business activity. It entails internationalization of the strategy and organizational structure of the firm. Many large companies no longer view themselves as American firms with activity abroad, but rather as U.S.-based multinational companies serving a global market. In industries such as computers or automobiles, that global market appears relatively integrated and unified. In others, such as processed foods, it is comprised of a large number of relatively independent national markets. In either case, many firms now see themselves as operating worldwide from a U.S. base rather than as American companies with international operations.

These companies' organizational structures reflect their multinational strategies. The distinction between domestic and international activities blurs as business managers acquire worldwide responsibilities, or the United States becomes only one of a number of regions reporting to a senior manager. The domestic market often remains the most important, but as the relative size of foreign sales grows, so does the number of managers whose activities take them across national borders.

The firm's multinationality is, increasingly, reflected in its employees. When a company first ventures abroad, international business is a relatively minor and separate activity. Subsidiaries overseas typically employ U.S. expatriates in most critical line and staff roles. As international business grows and the domestic/international distinction erodes, management becomes more multinational. In most companies, local (i.e., host-country) nationals now make up an increasing proportion of the management of subsidiaries and the

number of U.S. expatriates has declined. In fact, as will be discussed in detail in this report, the American expatriate manager is becoming an exception in most companies for reasons ranging from cost-effectiveness to the availability of competent host-country employees.

Yet, the probability that an American manager will have to deal with countries with very different social, political, and economic environments and individuals from different cultural backgrounds, has increased enormously as a result of internationalization. It is important to note that this is true *within* the firm itself. The multinational company with subsidiaries in 20 or 30 countries, each managed by local nationals, is a microcosm. Doing business *within* the organization requires significant crosscultural interaction. An increasing number of U.S. managers are confronted routinely with situations which require country knowledge and international expertise.

International Expertise

Traditionally, domestic and international business were distinct and separate spheres within the firm, with international management meaning direct responsibility for overseas operations. As companies become multinational, however, many domestic managers are finding that their jobs entail substantial interaction with counterparts abroad. (The manager of a plant in Ohio, for example, may need to coordinate production with a German colleague or purchase components from Brazil.) The domestic/international distinction has blurred, and executives find that effective performance requires an extensive array of skills, including product and technical knowledge, functional skills (i.e., finance, production, or marketing), "people" and organizational abilities, knowledge of the company and the industry, and international expertise.

This report is concerned with the nature, extent, acquisition, and importance of international expertise in American international companies. I am interested in what managers perceive international expertise to encompass, their demand for it, how it is used, and whether it is generally adequate for the needs of American business. These questions have implications for American managers and firms individually, for the American economy as a whole, and for potential suppliers of expertise, such as universities. While the primary focus of this report is on perceptions of the demand for, and nature of, international expertise in business firms, I will deal with the implications of the findings for each of these groups.

Methodology

The field of inquiry of this study was limited to very large American-based international companies: Fortune 500 industrial firms with at least 20 percent of their sales generated abroad and the top 15 money center banks ranked in terms of business abroad. These two groups include a total of 217 companies which account for the vast majority of U.S. business abroad. While smaller firms are certainly of interest, available resources would not allow systematic sampling of their much larger number. I preferred supportable statements about practice in this manageable group of companies to *ad hoc* observations from a larger number.

Given the exploratory and qualitative nature of this study, structured interviews with headquarters managers who have international responsibilities served as the primary mode of investigation. The companies were divided into 19 industries, and approximately 15 to 20 percent of those in each group were selected. Interviews were requested with three managers with international responsibilities in each company: ideally, a senior manager, another with line responsibilities, and a manager in an international staff function such as finance or planning. A total of 98 managers were interviewed in 37 firms.

Most of the remaining firms were contacted through a mailed survey. Two copies were sent to a senior international manager in each company, with the request that the second be given to an appropriate colleague (as defined). Eighty-eight firms, or 52 percent of those mailed, responded. A number of firms returned only one questionnaire. Replies were received from 125 individual managers, or 37 percent of those mailed (two per firm). Altogether, data were obtained from a total of 233 managers in 126 companies. Both the interviews and the questionnaires returned are statistically representative of the 217 firms included in the study. Appendix I contains a complete discussion of research methodology.

I turn first to respondents' perceptions of the nature of international expertise: how do they define it, how important is it to them, and when is it used?

Notes

1. C. Fred Bergsten, Thomas Horst and Theodore H. Moran, *American Multinationals and American Interests*. Washington: The Brookings Institution, 1978, p. 10.

2. *Key Company Directory*. New York: The Conference Board, 1980.

3. Joan P. Curhan, William H. Davidson and Rajan Suri, *Tracing the Multinationals*. Cambridge: Ballinger Publishing Company, 1977.

4. *International Financial Statistics Yearbook*. Washington: International Monetary Fund, 1982 and "International Letter." Chicago: Federal Reserve Bank, May 18, 1982. Number 526.

2. International Expertise

What do country knowledge and international expertise mean to managers? What do they really need to know to do their jobs? In the survey and interviews, the subject was defined broadly as including knowledge of language, law, culture, politics, economics, and business practice in specific countries, as well as an understanding of the way these factors change from country to country, and an openness and sensitivity to national differences.

Dimensions of International Expertise

Managers view international expertise from both an *informational* and an *operational* perspective. Economic, social, and political information is necessary for the analysis and forecasting underlying planning and decision-making. An understanding of how to interact with people and organizations in other countries, of how to "move around and get it done," is required to operate outside of the United States.

A manager in an electrical products firm drew a line between "academic knowledge" and "a sense of how one goes about dealing with another culture." The former entails information about such factors as economic performance, social structure, the political system, and laws and regulations. The latter, which he feels to be more

important, involves an understanding of how and what you do and don't do—"personal relations needed to do a job in the international environment."

International expertise can be *country-specific* or *general*. Specific knowledge of a country such as Venezuela would involve the economic, social, and political system, an ability to speak Spanish, and familiarity with *Criollo* culture. However, with the range of countries that may be involved in a company's international operations, there are limits to the extent of any individual's specific country knowledge. The president of the international division of a cosmetics firm said that it is impossible for him to learn everything about each of the 30 countries in which he operates. He believes it is the ability to generalize that is important: "Even if you don't know a great deal about Venezuelans or Germans, you do know that they are different and you have to have the patience and willingness to learn."

International expertise can involve knowledge of what is different abroad and the forms those differences are likely to take, rather than in-depth knowledge of conditions in specific countries. A former chief international executive sums it up well as, "the ability to develop ground rules very quickly when you visit other countries."

No one discounts the value of information and specific country knowledge; indeed, it is impossible to do business abroad without them. Yet, most of the managers I spoke to are more concerned with operational and comparative expertise. An international construction executive spoke for many: "If you are going to Uganda, you need to know something about Uganda, but what is important is a general feeling of how to operate outside of the United States."

After developing a better understanding of how managers think about international expertise, I will return to a more general discussion of its role in multinational companies.

Information and Understanding

A thorough knowledge of social, economic, political, and legal systems abroad is a requisite of investment decision-making, strategic planning, market and sales forecasting, and product development. However, many of the people I interviewed assume that information of this sort is available from specialists or from the subsidiary and regional managers who are the primary source of information about their countries. Most of the managers I spoke with emphasized that they sought a *general* understanding of how

to work outside of the United States: sensitivity rather than information or expertise. As the president of the international division of a global construction firm put it, "You have to know how to play with the kids on the street, and the kids are quite different in different places."

Similarly, an international marketing manager began by acknowledging the need to understand differences in laws and policy, but said it is much more important to have "a feeling for what will work," to be sensitive to cultural differences. Another distinguished between "sterile facts" and how to work with people from another country.

While many respondents acknowledge the need for information about a country's laws, regulations, and economic conditions, their main focus is on the problems of *operating* abroad, of interpersonal relationships. They speak of "cultural empathy," "wearing the shoes of other people," sensitivity to differences in the way places work and the way business is done, knowing where other people are "coming from," and understanding "how to live there." Even when the discussion turned to politics, the emphasis was more often on interacting with the government, knowing "what makes them tick," than on policies. An international treasurer claimed he does not need to be the world's leading Philippine expert; rather, he feels it critical to understand differences in ways of approaching a problem and getting things done.

Survey results are consistent with the interviews. Respondents were asked to rank six factors in order of their importance to effective international management: functional knowledge (i.e., marketing or finance), technical knowledge, country knowledge, knowledge of the industry and competitors, company knowledge, and the ability to deal with people. The results are quite clear; the ability to deal with people is ranked first by almost half of the respondents. *Country knowledge* is much further down the list, ranked first by only 11 percent (see *Table 2-1.*)

While it is always dangerous to speculate about what survey results *really* mean, the interviews suggest that in this case *people skills* represent the ability to operate abroad, and *country knowledge*, information.

Respondents were also asked to score six aspects of the environment abroad on a five-point scale, ranging from very unimportant to very important. Sixty-three percent of respondents ranked business customs as very important, followed by economic systems (42

percent), social customs (34 percent), language (25 percent), politics (18 percent), and religion (2 percent).

Table 2-1
Contributors to Effective International Management

Factor	*Median Rank*	*% Ranking #1*
People skills	1.5	48.8
Functional knowledge	2.2	32.0
Industry	2.8	20.8
Company	2.9	25.6
Country knowledge	3.1	11.2
Technical knowledge	4.6	10.4

Specific and Comparative

The distinction between specific country knowledge and comparative international expertise starts with the premise that an international manager cannot expect to develop in-depth expertise about all of the countries with which he or she must deal. What may be more important is recognizing that other countries are different, learning exactly what it is that is likely to vary, and gaining an appreciation of the range that variation can encompass.

An international personnel manager stated the idea directly: "The most important thing is to know that there are a hell of a lot of differences between countries." Many of my respondents expressed frustration with their domestic colleagues who simply could not be convinced that business is done differently in other places. At the most basic level, one told me that he came very close to having to delay an important trip to the Far East because one of those going with him had no idea that a passport is necessary to travel abroad.

International expertise entails the ability to generalize and compare. Many managers, for example, observed that there is a considerable difference in how directly one can approach a problem or a negotiation across cultures. Those who realize that this difference exists, and that Americans are more direct than most, have a clear advantage even if they are not sure how negotiations are handled in a specific country.

A senior executive in a computer firm told me about negotiations in progress with China. He said that he knew very little about that country when he started, but that he had considerable experience in dealing with other centralized governments and, despite the dif-

ferences, it was quite helpful. Simply knowing that political and cultural differences exist is a plus.

In the mailed survey, respondents were asked to express disagreement or agreement with the statement, "Knowing one country well helps you understand others even if they are very different." Just over half (52 percent) agree with the statement, 37 percent do not, and 11 percent are neutral.

International Expertise in Multinational Companies

Much of the discussion of the nature of international expertise, and many of the specific examples provided, involve interaction with subsidiaries. As U.S. expatriates are now the exception rather than the rule, dealing with managers abroad generally means dealing with foreign nationals. Substantial international expertise, in the operating or understanding and comparative sense, is needed to conduct business *within* the organization.

The executive vice-president and head of international operations of a chemical company stressed that a major international problem is internal—managing your own people. He noted that he has to manage people quite differently in different countries. It is critical to learn how to work with people from different cultures, to treat them with respect, and to understand their differences. Similarly, a planner noted the importance of being sensitive to differences and interpersonal interactions when he assembles and leads multinational task forces within the firm.

Examples of situations in which international expertise is important frequently involve personnel decisions in subsidiaries, particularly selection of general managers. This requires an understanding of how local nationals relate to one another and the nature of interactions between host-country and third-country nationals (that is, non-American expatriates). Cultural mismatches can be difficult to resolve, as was illustrated in several horror stories.

A number of the managers said that cultural distance affects communication. One summed up the problem directly: "Since there are no Americans abroad, it is hard to understand the context in which the country managers are operating, and it's hard to determine what to do with their recommendations." An international marketing manager remarked that he has to sort out which things are important and which are "just smoke" in dealing with foreign nationals and local managers. Some subsidiary managers, anxious to preserve their autonomy, take advantage of the barriers created

by cultural distance. It is very hard for someone in headquarters to know when you really "can't do that here"; thus the importance of understanding "conditions in the field," and "what the guys in the field are talking about."

Finally, it is very clear that headquarters managers are not the only ones in their firms who have to learn to understand others who think and behave somewhat differently. Several people pointed out that international expertise is a two-way street within multinational corporations (MNCs). A senior vice-president who developed his company's international business observed, "Local nationals and third-country nationals have the same sort of communications problems and frustrations dealing with headquarters that American managers have attempting to do business abroad." Others told me of their initial surprise when they realized that foreign employees have cultural adjustment problems when they are assigned to the United States for the first time.

Managers perceive operational and comparative expertise to be most relevant to their jobs. The question remains, however: just how important is international expertise, relative to all of the other skills and expertise that effective performance requires?

3. How Important is International Expertise?

Asking about the importance of international expertise in international business begs the general question—compared to what? No one I spoke with *completely* discounts the value of international expertise; only three percent of the respondents to the survey feel that if a manager knows the business, the company and its products, then country knowledge is a relatively minor problem. One manager, who feels that international expertise is not of overriding importance, does agree that, "Some country knowledge is better than no country knowledge." Indeed, 92 percent believe that managers with a good deal of country knowledge are usually more successful, and 84 percent that it is worthwhile to spend one-tenth of one's time gaining more country knowledge. Over one-third (37 percent) reported that activities where country knowledge and international expertise play an important role accounts for over half of their time.

No one suggested that international expertise can substitute for business ability. The managers I interviewed who argue that international expertise is critical mean that it is relatively more important than functional or technical skills. Hiring people for their international expertise alone can result in disaster—a number of experienced internationalists told stories of individuals who were

accomplished linguists or country experts but simply could not function in a business environment.

This study focuses on the relative importance of international expertise as a determinant of the effectiveness of international managers: what role does it play compared with functional skills, technical and product knowledge, corporate experience, and other business abilities? I am also concerned with the impact of international expertise and international experience on managerial careers: is it an important factor in hiring and promotion decisions?

I will rely primarily on the interviews in answering these questions, although the survey data provide useful supplementary evidence. The reader should keep two things in mind. I obviously could not measure importance or effectiveness directly; what I report are managerial perceptions as related in the interviews or the survey. In addition, the opinions expressed *are individual* and not company responses. In fact, one of the most striking things about the interviews is the extreme range of opinion within companies; at times I encountered an opposite viewpoint by going to the office next door!

The Range of Opinion

Managers' opinions about the value and importance of international expertise can be arrayed on a very rough four-point scale. A small minority (10 percent) of those interviewed feel international expertise is the most critical factor in international business. They believe it to be more important than technical or functional skills or even company experience, and state that it is a major factor in hiring people for international business jobs and in promotion decisions.

A much larger number (45 percent) feel that while international expertise is important, it is not critical; technical and functional skills clearly come first, although international expertise is a very important plus. It helps get the job done or it may even be necessary; however, it is not sufficient. Another substantial group (39 percent) characterized international expertise as "nice to have" but a relatively minor factor in international business—they feel that they can obtain what is necessary when the need arises. Last, a very small minority (six percent) discount the importance of this sort of expertise almost entirely, or even feel it can be a negative influence by providing reasons for people not to do their jobs. While the four groups of managers disagree about the relative importance of international expertise, they all agree that it alone is not sufficient. Basic business skills are an absolute requirement.

Critical

The head of Latin American operations for a major bank acknowledged international expertise to be a critical factor in his job. He said that it plays a major role in promotion decisions and that language capability, area expertise, and experience abroad are looked upon very favorably when candidates are interviewed. Another officer in the same bank agreed, adding that he is concerned with a potential employee's international interest and commitment as well as expertise.

It should be noted that banks are the only firms I encountered that routinely hire new graduates for overseas jobs. Everyone I spoke with in the banking industry feels international expertise is critical or important. The industrial companies, with a few exceptions, prefer some domestic experience and fill international positions either with people from domestic operations or with experienced managers from other firms.

A senior executive in an oil company, who has considerable international experience, also described international expertise as critical. He expressed strong feelings about a lack of international expertise at both junior and senior levels in his company, and noted that he had vetoed the assignment of a number of professionally capable individuals to international jobs because he thought that they would not do well in other cultures.

A Major Plus

The majority of the people I spoke with believe international expertise to be of some importance, although not critical. While all respondents agree that international expertise has some value, they disagree about the degree of value. In addition to general observations, I used three criteria to gauge the relative importance people attach to international expertise: their feeling about the role it plays in hiring, in promotion decisions, and whether they think one can generalize from a manager's success at home. Data from the survey provide some background on these issues.

Respondents were asked to express disagreement or agreement with each of the following statements: 1) "Most people who have been very successful at home will do well abroad," and 2) "Differences in country knowledge play a significant role in promotion decisions in my company." As can be seen in Table 3-1, 44 percent of survey respondents feel that domestic success is not a predictor of success abroad and 42 percent that country knowledge and international expertise are significant factors in promotion decisions. Almost one-

third, however, said domestic success is generalizable and 28 percent minimize the role of country knowledge in the promotion process.

Table 3-1
The Importance of Country Knowledge

	Strongly Disagree	*Disagree*	*Neither*	*Agree*	*Strongly Agree*
Success at home leads to success abroad	4.8%	39.2%	24.0%	29.6%	2.4%
Country knowledge a factor in promotion	3.2%	24.8%	29.6%	36.0%	6.4%

Managers who believe that international expertise is important think it increases their effectiveness. Many go further and argue that it is necessary, that you cannot do business abroad without competence in this area. While they do feel that business skills—technical and functional—and company knowledge come first, they also argue that a good domestic track record is not enough either, that there are significant differences in how one operates abroad.

International expertise as it relates to promotion and hiring is a more complex issue. While many of the managers who believe international expertise to be important feel it should be taken into account in promotion decisions, whether it is or not is often beyond their control. Furthermore, it is not the expertise itself (some called it "academic knowledge" or "style") that is rewarded—rather, it is a manager's ability to use international expertise to achieve results or success on the job that affects promotion decisions. The one exception might be staff jobs such as finance and planning. In the former, particularly, it is difficult to separate functional from international expertise. I will discuss hiring for international jobs separately.

The head of Latin American operations for a pharmaceutical company said that he would not hire anyone without either overseas experience or international expertise. He wants both expertise and a strong commitment to "international." He made it very clear, however, that this is far from sufficient. When it comes to promotion

he does not reward expertise itself; promotion is based on bottom line results. Similarly, a manager who exports heavy equipment to Latin America, and who is a Peace Corps alumnus, said that while a thorough knowledge of countries and conditions overseas is vital, business and technical knowledge come first. In fact, he feels (as do many others I interviewed) that one needs even stronger business and technical ability overseas than at home. He, too, emphasized that international expertise is of value only when converted to business results. A chemical product manager concurred with the last point, noting that a balance between business and international expertise is necessary; if someone "excels in country knowledge but does not know how to get things done in the company, he could not get the job done."

Several of the managers I spoke with feel that international expertise and experience are important in terms of building their credibility both in headquarters and in subsidiaries. Many portrayed their roles as linking overseas operations and headquarters. International expertise and having "been there" convince clients on both sides of the fence that they know what they are talking about.

A Minor Factor

A large percentage of the people I interviewed feel international expertise to be of only minor importance; business and technical skills clearly dominate. While not all would agree that success at home translates automatically into success abroad, they feel that what is important is "getting the job done" and do not see a significant relationship between international expertise and that objective. Many noted that virtually all their subsidiaries are staffed and managed by local nationals upon whom they depend for international expertise.

A respondent in a food company told me that "international expertise is not a driving force in his job." The similarities worldwide are much more important than the differences; in any event, most people with "any smarts" will pick up what they need to get along. Another food company executive said that it is knowledge of his business worldwide that is critical. International expertise is nice to have and may even provide "a leg up," all things being equal, but it is certainly not essential. If someone is a capable executive, then "he learns to cope."

Many others made similar points. "The primary thing of international business is to do business," with international expertise

regarded as no more than a nice plus. People are hired and promoted on the basis of their track record and business skills: "basically what you come down to in hiring is who can do the job" (with "job" defined narrowly). While many managers said that they would certainly like to see international expertise in job candidates, few in this category said that they would penalize someone for not having it. International expertise is valuable, "all else being equal,"—which it very rarely is.

Unimportant

There are several managers who feel that international expertise is unimportant. A respondent who had two overseas assignments said that international expertise is not an issue in his company. He argued that the world is becoming more homogeneous, a global village, and that a good salesman or product planner will do well anywhere. In any event, he said that it was difficult to find a competent manager and not very hard to bring someone "up to speed" on international expertise. A regional manager in an electrical products firm responded strongly that business is business wherever you find it. While acknowledging that cultural differences are real, he feels that their importance is overemphasized. "People overcomplicate incidental things and they get in the way . . . doing business is not that different worldwide."

An international executive in a food firm went further, arguing that attention paid to international differences could be counterproductive. He feels that overemphasis of differences in habits and culture often gets in the way of establishing a sound strategy and hampers the resolve to get things done.

Differences

What accounts for differences in the value a manager places on international expertise? There seem to be only a few conclusions that I can draw from my interviews, since, with one major exception, differences in perception seem to be individual rather than organizational. In several instances, I left an interview in which international expertise was described as critical or important and went to another in the same firm where it was described as a minor factor.

Two regional managers in one company are at opposite ends of the spectrum. One argued strongly that international expertise is critical, that it is more important than basic business skills if one is to be effective abroad. The other argued just as strongly that

business is business and what is important is the bottom line. The president of a large and important Mexican subsidiary told me he could not function effectively without international expertise, including language. He then recounted that his boss did not know that he spoke Spanish and had majored in Latin American Studies until he was six months into the job.

Banks are the one clear exception. All eight of the bankers I spoke with feel that international expertise is at least important and three found it to be critical. While they differ on whether hiring and promotion decisions are based on banking skills or international interest and expertise, the latter do play an important role.

No clear pattern emerged in other industries, even in those where functional and particularly technical skills might be expected to dominate international expertise. Six of the eight managers interviewed in firms in the scientific and technical sector perceived international expertise to be critical or important. The 13 in electrical products were split almost evenly; six feel it is critical or important, and seven relatively unimportant or not important at all.

There is some indication that the personal experience of the interviewees affects their perceptions of this issue. All nine of the managers I interviewed who said international expertise is critical had served abroad themselves. Only one of the six who discounted its value had done so. Fifty-four percent of those who had previous overseas assignments feel that international expertise is important, compared to 31 percent of those who had not. Conversely, 52 percent of the respondents who had *not* worked abroad discounted international expertise as unimportant, as opposed to 31 percent of those who had been abroad. (The differences are not statistically significant at conventional levels.) Survey results support this observation. Managers who have been assigned abroad are more likely to agree that international expertise significantly affects promotion decisions.

Nationality also seems to be a factor. Five of the nine managers interviewed who feel that international expertise is critical were born abroad (actually, one was born in the United States of foreign parents and lived overseas as a child).

My feeling is that perceptions of the importance of international expertise reflect individual background and experience, particularly substantial business (or in a few cases, nonbusiness) experience abroad. Several people I spoke with seemed to agree; they suggested

that perceptions of the importance of international expertise may reflect how much international expertise one has. Those without it have difficulty in seeing its value; they do not know what they are missing.

International Expertise, International Experience, and Personal Traits

Initially, I was confused by some respondents who discounted the importance of international expertise yet said that international experience is valued in their firms, positively affects careers, and in some instances is even a requisite of top jobs. It became clear, however, that international experience has benefits that go beyond gaining expertise. Some stressed the importance of obtaining an appreciation of the *firm's* worldwide business operations, an understanding of the global system. While travel helps, an assignment abroad helps even more.

Perhaps more importantly, international business experiences can provide general management opportunities that would not be available at home. Relatively young managers can head up subsidiaries, gaining broad business experience and exposure to top management that is very highly regarded. However, as will be discussed in Chapter 5, the opportunities for that sort of expatriate experience are becoming very limited in U.S. firms.

Much of the discussion about hiring for international jobs, both in headquarters and abroad, was revealing. First, as noted above, there are very few opportunities for new graduates to enter international business directly. Most international slots require functional and technical skills and substantial company knowledge that are developed as a result of domestic experience. Demonstrated competence and experience is typically a requirement of international jobs.

Second, a number of managers, although discounting the value of international expertise, strongly disagree with the assertion that a proven domestic track record is a good predictor of international success. They argue that what is important internationally is not so much the specific knowledge of differences, but the ability to adapt to them. Adaptability is thought to be related to personality traits.

These personality traits were mentioned repeatedly. Internationally, one needs flexibility, openness, and sensitivity to others. People who are dogmatic, biased, or set in their ways have problems overseas. A willingness to listen and consider new ideas, an appreciation

of a range of viewpoints, and similar characteristics were mentioned many times. Also stressed were the importance of interest and curiosity and a willingness to learn from experience. Many emphasize the need to avoid assigning those overseas who "want to bring the benefits of the American way" to other countries.

Adaptability is clearly essential; one respondent described it as a "valuable card to hold." When I asked how one judges it, most answers were similar. Respondents could not describe criteria, but said they could tell after a half hour's conversation. (To be fair, people also talked about looking at past records and talking to a candidate's supervisor.) Many managers with whom I spoke also mentioned adaptability of the individual's family as an important factor; that topic, however, is outside of my immediate field of interest.

In summary, the personality traits discussed above are high on virtually everyone's list of requirements for international jobs, along with the need for excellence in basic business abilities. There is considerably more difference of opinion about the importance of international expertise.

The Importance of International Expertise

In summary, I can say that most managers I spoke with would agree that international expertise increases effectiveness abroad, assuming that technical, functional, and organizational abilities are there in the first place. (Few people are hired or promoted in international jobs as a result of their international expertise alone.) There is, however, a split between those who feel international expertise is very important or even necessary for effective international performance, and those who see it as a less important requirement that can be picked up by a sharp person.

Three points will be made here and further elaborated upon in the last chapter. First, perceptions are derived from experience—the value of international expertise may not be apparent to those who do not have it. Second, there is a tendency to consider "the ability to do the job" and international expertise to be independent of one another, to define the former in terms of business skills alone, a separation of the task from its context that may not be warranted. Last, there is a tendency to see adaptability as a result of basic personality traits; the implication is that international managers are born, not made. In fact, however, adaptability may well be learned; it may come with an appreciation of individual and national differences. It may result from developing international expertise.

4.
Language

"In almost all markets it is a damaging and often fatal handicap if representatives, whether principals or subordinates, cannot converse freely with a customer in his own language . . . and, if correspondence from headquarters is not conducted in that language. Our export trade, however, is often so handicapped and today it cannot afford to accept even small handicaps which can be avoided."

Since that paragraph appeared half a century ago in a United Kingdom government report,[1] language has remained a controversial topic in international business. English has become even more widespread as a result of American dominance after World War II, and is the *lingua franca* of business worldwide. It is a widespread second language, to the extent of being adopted as *the* corporate language by some European MNCs. There are few places that one cannot get by with English.

However, is getting by enough? Is speaking the local language just a nice social asset or is it a requisite of effective performance? Are American business people significantly handicapped if they speak only English? This chapter explores the extent and importance of language competency among managers in American firms.

Language Competency

I asked most of those I interviewed whether they speak languages other than English well enough to do business. The mailed survey contained a similar question. Without either speaking a language or administering a formal test it is difficult to gauge language competence accurately. I had to rely on the respondent's perception of his or her own abilities, which may not have been tested in some time. It is reasonable to assume that my estimates of the extent of language capability are very generous.

Fifty-six percent of the survey respondents said they speak at least one foreign language well enough to do business, and 21 percent speak two or more. (See Tables 4-1 and 4-2 for the data.) However, 25 respondents were born abroad and all but two of these speak one or more languages; 14 speak two or more. It makes more sense to look at North American managers' language capability.

Forty-nine percent of the American (U.S. and Canadian) respondents claim business fluency in at least one foreign language and of those, 13 percent in two or more. The interview data are similar, 42 percent claiming one language other than English and 13 percent two or more. For most, language competence appears to result from overseas assignments. Only one-quarter of those surveyed who have never lived abroad speak another language while two-thirds of those with expatriate experience claim that they do. The interview results are even more striking; only one of those whose careers have not included tours abroad claims foreign language capability. Almost two-thirds of those with experience abroad speak at least one other language. While I did not systematically obtain data on whether language capability preceded or resulted from assignment abroad, the pattern of entry into international business (discussed in Chapter 5) suggests the likelihood of the latter. Only a small minority of managers interviewed had developed international skills or interests before their first assignment abroad.

Other potential determinants of language competency were not found to be significant, with one exception—virtually all of the bankers I interviewed spoke at least one foreign language.

Again, language competency is gauged broadly, based on managers' own recollections of past experience. Furthermore, results may well be biased towards those most interested in international expertise, as I assume individual participation in the study was voluntary. Nonetheless, it is encouraging that over 40 percent of

the managers contacted feel they have at least some degree of capability in another language. In most cases, that capability appears to result from experience, rather than education.

The Importance of Language

While I encountered a wide range of opinion, much of it strong, about the importance of language, there is general agreement on two points. First, virtually everyone sees some value to language; no one claims that moving beyond complete reliance on English is a waste of time. Second, in other than *very* exceptional circumstances, no one is hired for an international assignment simply because they speak the language of the country. Language may be required for some assignments, but it is very rarely sufficient; technical, functional, and managerial skills are also necessary.

The most vivid exception I encountered is a long-term American resident of Japan who was hired as general manager of a U.S. subsidiary because of his language skills and familiarity with the country. He had no business experience at all, having worked for the U.S. government abroad. In that particular case, the company felt it was easier and more efficient to teach the business to someone with country knowledge rather than the reverse. Examples of this sort, however, are few and far between and typically involve countries such as China and Japan where language skills are relatively rare among Americans.

There is a continuum of opinion between the two poles of language as irrelevant and language as dominating. Three basic positions can be identified. A substantial minority of those interviewed (about 25 percent of the North Americans) feel language is unimportant; it is certainly advantageous, but one can get by with English at little cost. To the vast majority, language is important but not critical. Within this category there is considerable variation from those who feel language capability is nice to have assuming everything else is in place, to those arguing that a lack of fluency significantly constrains managerial effectiveness. Last, a small minority of managers (around 10 percent) believe language to be a critical factor—in some instances, a requisite of employment for international positions.

Most managers feel that the importance of language varies by role and region. More are inclined to argue that fluency is important in subsidiaries, and particularly at lower level jobs that involve customer contact, than in headquarters. It is perceived to be easier to

get by with English in Asia or Europe than in Latin America where Spanish and/or Portuguese are often necessary. While there are exceptions, most notably among the English and Australians, foreign nationals are more likely to feel that language competency is important than their North American counterparts.

Here are some examples of those who feel language is relatively unimportant. A manager of a computer firm, who had considerable international experience, said that while there are exceptions, such as people who had to work with distributors in Latin America, his company does business in English. He told me that "if people abroad are serious about doing business with you, they will speak English." A respondent in an auto firm, who had been overseas twice for extended assignments and spoke Italian, argued that if an individual can do the job, it does not matter whether he speaks the language or not—"English is the language of business worldwide."

A European who is a regional executive for a pharmaceutical firm considered language unimportant, at least at headquarters. He noted that local employees must learn English to get anyplace in an American firm. Similarly, a senior international manager argued that in-depth knowledge of the language is unimportant as long as one has one's antennae out. He also expressed concern about his people's tendency to overestimate their language ability and then "foul things up." There were a number of others who expressed similar sentiments: that English is the language of business, or at least the language of their American company and that product knowledge and business skills are more important than language capability.

The head of international operations for a food company was a bit more ambivalent. He told me that while knowing how to speak the language is "nice," it is neither essential nor critical. He said, "Give me a smart guy and I don't care if he knows the language or the country." While language may give you a "leg up, . . . the skill and experience level are what are critical." He noted that both company staff and most customers speak English and that a capable executive will learn to cope. To be fair, he said that most of his people in countries where the local language is reasonably accessible, learn enough to get the gist of "side conversations" among people they deal with. The company encourages international managers to learn languages, but by no means requires it.

The vast majority of managers with whom I spoke feel that language is an important asset, but that it is not critical. When I asked the head of international operations of a large housing products

firm if language was important, he replied with a very firm "yes." He argued that one is much more effective internationally if one can communicate with people, and it is difficult to do that without speaking their language. While virtually everyone he meets at his level speaks English, he is never sure how well they understand it. He also mentioned the need to understand side conversations during negotiations and the importance of being able to participate in social situations. He summed up by saying that while language is not the critical factor, it is important if we are to be competitive internationally.

The head of a trading company replied that he could not say that one must know the language to be effective abroad. However, he felt that to make a contribution, one has to be "in the ring," to be able to deal with the local culture, and that language certainly contributes to that end. A senior international executive of a chemical firm characterized language ability as making the difference between acceptable and excellent performance. He focused on the need for communication and the difficulty of making subtle concepts clear when one speaks only English. He said that business opportunities abroad are hard to come by in the best of circumstances, and that if one does not understand the country and speak the language, it makes things even more difficult.

A minority of people feel that language is essential. It is rarely required, although two banks I spoke with are exceptions to that rule. The head of the Latin American division of a major New York bank requires fluency in either Spanish or Portuguese, preferably both. He argued that it is impossible to deal with customers or gather information without it. Similarly, the deputy head of international operations for another large bank began our conversation by stating that a good international executive should be a good linguist. In addition to direct communications advantages, he feels that language is important because it provides insight into the history, ethics, and culture of a country. Furthermore, language skills are a good indication of an interest in other cultures and a willingness to learn.

There was a general feeling among respondents that fluency is much more important in the field than in headquarters, that higher level managers can be effective without going beyond English. The head of Latin American operations for a electrical products firm, however, directly contradicted that. He told me that American managers dramatically underestimate the innate difficulty of commu-

nications. He characterized language as essential both in the field *and in headquarters* and feels that expatriate managers who are successful without learning the language are almost always in firms with very strong competitive or product positions.

When I asked if fluency is important in his current job he replied with an emphatic "yes." First, he would become overly dependent on his subsidiary general managers if he spoke only English. Second, all correspondence from his subsidiaries is in Spanish or Portuguese. "If these fellows had to report to me in English, I would probably miss half of what they have to say."

It is important to note that I am reporting individual responses; there is no reason to assume that they are company policy. The regional manager I just discussed, for example, closed the interview by stating that he could not convince anyone else in his own firm of the importance of language.

While the value of language may well depend on circumstance, some generalizations are possible. To that end, it is worthwhile to summarize systematically why many managers believe language skills to be of value.

The Value of Language

The managers who believe in the importance of language capability argued that forcing others to speak English or using a translator reduced their effectiveness in many situations.

1. Information gathering: International managers have a constant need for information about host country environments, market conditions, competition, government policies and politics, local power structures, economic conditions, and other factors. Nationals may be uncomfortable talking about their own country with foreigners and at times attribution may bring retribution. An uninhibited discussion requires an atmosphere of trust and a belief that the questioner is discreet, something difficult to establish through a translator or when the respondent must speak English. As many managers noted, people are much more comfortable in their own language, as it takes much less effort on their part to communicate; therefore they tell you more.

Depending on English also restricts a manager's contacts. One of the problems foreign firms face in most countries is that their interaction tends to be limited to the political, social, and economic elite, the upper stratum of society. Understanding the country re-

quires contact with a wide range of people at all levels, most of whom do not speak English and are often uncomfortable talking with a foreigner, much less through a translator.

Last, discussion of politics and social-cultural structures is subject to misunderstanding even when both parties speak the same language. There are many symbols, nuances, and intimations that must be communicated, and that is very difficult without some understanding of the local language. The head of international operations for a chemical firm summed up the problem well; he said that without language you do not have the ability to penetrate a society and make your own judgments, and must rely entirely on the opinions of others.

2. *Access to local society:* A strategic planner who had considerable experience in Latin America made the point directly: "If you don't try to speak the language and work only in English you'll never crack the social life and you'll never get inside of what is really going on." Many people I interviewed agree. While the importance of social interaction to business varies considerably, without it a manager lives in complete isolation from local society. It is much more difficult to "mingle" if you limit yourself to English-speakers.

Even though English is the corporate language, it is not the language of local employees. Thus, expatriates can be isolated from social interaction within the firm. A respondent who speaks both German and French told me that he had a higher level of motivation and worked longer hours when he was abroad than some of his fellow expatriates. He enjoyed being with his co-workers and was able to talk with them comfortably in a variety of situations. He also felt that they responded much more positively to him than they would have if forced to speak English.

Reliance on English also isolates a manager from customers, distributors, and suppliers. The chief international officer of a consumer durables company told of taking over as head of a large and troubled Latin American subsidiary. His first step was to visit all of the company's distributors to discuss the problem. He felt the visits were instrumental in the resulting turnaround, and that they would have been impossible if he could not speak Spanish. A manager of export sales who is responsible for the Middle East feels that not speaking Arabic limits his effectiveness. He said that there are many wealthy and influential people in the Middle East who do not speak English and that being able to speak with people in their own language would make a dramatic difference.

3. *Intra-organizational communications:* Lack of fluency poses a number of problems within subsidiaries. It should be noted that while the problems are most severe for expatriates actually working in the country, they are relevant for anyone who has to deal with the firm's operations abroad. First, as noted above, dependence on English cuts a manager off from many employees, particularly those below the top three or four levels of subsidiary management. Factory workers, salespeople, and service people typically do not speak English. It is difficult to manage by proxy with communications filtered through others in both directions.

The head of Latin American operations for an electrical products firm argued that dependence on subordinates as translators can lead to severe organizational distortions. The translators gain power simply because of their role in the communications process and their ability to restrict access and "filter" communications. Furthermore, in most business situations verbal communications are critical and the impressions subordinates make in face-to-face situations are important. There is a real danger of judging the competence of local nationals on the basis of the impression they make in English.

Two examples stand out from the interviews. A respondent, who had been head of European finance for a computer firm, recounted that his predecessor told him that he would have a lot of trouble with the comptroller of one of the subsidiaries who was a very difficult individual. The comptroller had problems with English and while the previous European finance director did not speak his language, my respondent did. He quickly realized that the man was not marginal at all, but a "jewel" who had made major contributions in the tax and legal area, but could not communicate them to headquarters.

Similarly, I was told of another situation where an American worked with a Finn with whom he could not get along at all. However, when he went with him to a conference where Finnish was spoken, he saw him change before his eyes. He became a warm, charming, and outgoing individual and it was immediately apparent that most of the interpersonal problems were because of language.

4. *Cultural understanding:* Language provides much more than the ability to communicate; it is a window into another culture. It provides valuable insights about values and attitudes and the perception of reality. A Latin American who works in the U.S. headquarters of a chemical firm said that her colleagues who learn the

local language understand the reality of the marketplace much more clearly than those who do not. They develop a much better feeling for the psychology and idiosyncrasies of local nationals.

Summary

In summary, most of the managers I encountered felt that language is an important plus, but not the critical factor; that while it can increase effectiveness abroad, so can improvement of any one of a number of other things. Important to note is that a substantial minority discounts the value of fluency and believes English to be sufficient.

A few other points can be drawn about the importance of language ability. First, language facility alone is very rarely the reason someone is hired for an international position—it can make a manager more effective, but does not provide a basis for doing the job.

Second, a manager's view of the value of language appears to be strongly influenced by his or her own language abilities. People who speak only English tend to see language in mechanical terms, simply as a vehicle for translating unintelligible sounds into familiar ones. The respondents who have some language capability often see the benefits in much broader terms: they feel that communication entails a good deal more than mechanical translation; that one cannot really understand another culture without access to the language. They also have found that the trust established when speaking a person's native language is often essential for effective communication.

The value of language capability may be greater than being able to communicate in French, German, or Japanese. Learning even one language may well be a very effective way to sensitize individuals to international differences, to make them aware of what is important during crosscultural dealings. I will return to the importance of language in the conclusions of this report.

Note

1. Quoted in "Foreign Languages for Overseas Trade and its Implications for Schools," The British Overseas Trade Board's Report. Birmingham: Department of Modern Languages, The University of Aston in Birmingham. Mimeo, July 1980, p. 1.

5. How Is International Expertise Acquired?

Which precareer and career experiences are most important in developing international expertise and which specific sources are utilized when additional expertise or information is needed? These two questions are closely related as information gained adds to one's cumulative reserve of knowledge. As I thought business experience might be a critical factor in the acquisition of international expertise, I collected a good deal of information about international careers and overseas assignment of American managers. Both subjects will be discussed in this chapter.

Developing International Expertise

I was particularly interested in the relative roles played by precareer activities—education, military service, or the Peace Corps—and business experience in developing international expertise.

The findings are unambiguous: most managers acquire international expertise through business experiences. Survey respondents were asked to rate each of 11 factors as contributors to their accumulation of country knowledge, using a five-point scale ranging from "almost none" to "critical." Table 5-1 shows the percentage of respondents ranking each factor "critical" (5) or "important" (4 and 5). Business travel and assignments abroad, supplemented by read-

Table 5-1
The Acquisition of Country Knowledge

Factor	*Percent Critical*	*Percent Important*
Business Travel	60.8	92.0
Assignments Overseas	48.8	71.2
Reading/Television	16.0	63.2
Training Programs	6.4	28.8
Government/Peace Corps Military/Religious	4.0	16.0
Graduate Course	2.4	15.2
Nonbusiness Travel	0.8	12.8
Undergraduate Courses	0.8	12.0

ing, dominate. Sixty-one and 49 percent respondents feel business travel and overseas assignments, respectively, made critical contributions to their accumulation of country knowledge. No other factor is rated as a critical contributor by more than 16 percent; however, 63 percent believe reading to be important.

While precareer experiences abroad are important to many of those who have had them, they rank nowhere near the business experiences. Only 16 percent of the managers surveyed said that the Peace Corps, government, military, or religious service abroad made an important contribution. Education, whether graduate or undergraduate, is not perceived to be a significant factor.

Both the survey and interviews indicate that it is experience abroad, particularly experience that involves substantial interpersonal interaction, that is most important in developing international expertise. In fact, virtually all (95.1%) of respondents who had worked abroad felt that experience was important, and 69 percent rated the experience as critical.

Most of those with overseas experience are strong proponents of the "being there" school of gaining international expertise. I was told repeatedly that it is "living and working there that counts," "experience abroad that is important," and "living through difficult experiences that matters." A manager in a computer firm argued that there is a learning curve at work; living in a country and adapting to it makes subsequent attempts much easier. He also feels that having lived abroad allows one to get a lot more out of travel. Another manager told me that "you have a much better understanding of

what counts for having been there," that is, having been assigned abroad.

As in the survey, virtually all of the interview respondents feel business travel is important. Many emphasized that they were not talking about a tour of the world's Hiltons. They argued that getting out and meeting people—distributors, customers, bankers, government officials—and "walking the streets" is what is important. Others appear to depend almost entirely on subsidiary managers, who are likely to be local nationals, for their contacts.

Reading and exposure to the media appears to play an important supplementary role. While only a minority (16 percent) of survey respondents believe reading to be a critical contributor to country knowledge, an additional 47 percent said it contributed a lot (Table 5-1).

There is considerable variation in the amount of reading done by the people with whom I spoke. Some appear overwhelmed with material, while others stick to basic business and general publications such as *Business Week*, *The Economist*, *The Wall Street Journal*, and *The New York Times*, and discount the media's importance as a major contributor. Those who read more widely mentioned services such as *Business International*, industry publications, bank reports, specialized regional newsletters, and articles clipped by others in the firm, in addition to the more general sources. Foreign, and especially foreign-language, newspapers were noted only rarely.

Reading contributes to international expertise in several different ways. Managers use written materials for background or to prepare themselves for trips abroad; they feel that they can get a lot more out of a country visit with a basic understanding of the terrain. Many said that they rely on written material primarily for descriptive country knowledge or information: economic data, the nature of the political system, demographic, and market data. In some staff positions, such as market research, finance, and planning, descriptive country information obtained from secondary sources is what is most important. However, even in these roles many managers prefer to go there and "see the situation for themselves."

Education was rarely mentioned during the interviews. The most striking case is a banker with a very relevant Ph.D. who did not mention it when I asked about obtaining international expertise. When I probed, she said that it was living abroad while engaged in dissertation field work that was most useful.

A number of respondents did mention language training, Latin American studies programs, international relations courses, and similar training as contributions to international expertise. However, they are in the minority and only rarely do they feel that their education made a critical contribution. Rather, education motivates interest in international affairs or helps them to make better use of experience when the opportunity arises. It also shapes their approach to understanding other countries and cultures.

All of this should not be taken to mean that education cannot play an important role in developing international expertise, as it did for some of the managers I spoke with. However, the vast majority of managers did not mention college or graduate school as contributing to international expertise, and 15 percent or less of those surveyed rated either as important. Several who mentioned schooling talked about the value of a multinational student body or studying abroad. Interestingly, one of the few respondents who mentioned schooling as an important factor in developing international expertise is a European who talked for some time about the parochiality of the American and French educational systems. I will return to the role of education in the final chapter.

A relatively small number of survey respondents (16 percent) mentioned international precareer experiences such as the Peace Corps or military service as important in the development of their international expertise. However, in this case the small number reflects limited exposure to these activities. In most instances, ex-Peace Corps volunteers and people who had military assignments abroad feel that the experience was significant. This is especially true when the individual had been "thrown into" another culture and not, for example, assigned to a large American base. An international marketing manager recalled being the only American at a French army post; another spoke of an intelligence assignment in Thailand. Both stressed being forced to speak the local language and the absence of other Americans.

Perhaps more important, these precareer overseas experiences often result in a lifetime commitment to international affairs that profoundly influences an individual's world view and career choice. The chief international officer of a consumer products firm described overseas naval shore duty as a key experience that changed his life. He later aggressively pursued an international assignment when few in his company wanted one, and has been with it ever since.

Table 5-2
Sources of Country Knowledge

Factor	*Percent Very Important*	*Percent Important and Very Important*
Subsidiary Managers	68.0	96.0
Customers	27.2	74.4
Specialized Staffs	16.8	63.2
Co-workers	16.0	75.6
Suppliers	10.4	50.4
Industry Groups	6.4	59.2
Consultants	5.6	43.2
U.S. Government	2.4	42.4
Academics	1.6	18.8
Competitors	0.8	40.8

In summary, the managers I spoke with and surveyed developed international expertise *experientially*. They learn to play with the kids on the street by being there and doing it. Most believe that on-the-job experiences involving assignment and travel abroad are important. Almost two-thirds rely on reading for country knowledge, but the interviews reveal that in most instances it plays a supplementary role. No other precareer or educational experience is rated as an important contributor to development of international expertise by even a third of the respondents.

Sources of International Expertise

The vast majority of managers surveyed said that it is necessary to rely on the country knowledge of others; 87.2 percent said that it is either important or very important to do so. Where do they go when they need additional country knowledge; what are their sources?

I asked managers to rate 10 potential sources of country knowledge on a five-point scale ranging from very unimportant (1) to very important (5). Table 5-2 shows the percentage of respondents rating each "very important" and the combined results of "important" and "very important."

The results are clearcut. The primary source of information about countries is country management, company people within subsidiaries. Sixty-eight percent of respondents rate subsidiary managers as very important sources and virtually all as either important

or very important. While no other source is considered *very* important by even one-third of respondents, customers, specialized staffs, and co-workers in general, are important information sources. The results are strongly supported by the interviews and are consistent with other research on this topic. Headquarters managers in international firms rely on their people in the field for country knowledge.

A substantial number of respondents do feel that it is important to go outside of their normal range of contacts for country knowledge and employ consultants, talk to academics, and draw on Washington's expertise in the State Department or the intelligence community. However, only a small number of the people I interviewed use these sources regularly.

The head of international operations in an electrical products firm, with over two decades of experience abroad, summed up the importance of the country manager: "He is the key source; he's got to keep the division and top management up to date." An industrial equipment executive agreed: "You really can't second-guess him; he's the guy on the scene, the basic source." Many others concur, often stressing that most of the people in the field are host-country nationals who are well placed to provide information about their environments.

A large number of respondents spoke of tapping informal networks of people inside and outside of their companies for country knowledge. One spoke of an informal network of friends in MNCs, another of contacts throughout the world that are a legacy of 25 years of international experience. Others emphasized the informal contacts within their own firms—people they know and trust at all levels who have been abroad, follow events in certain countries, or are from someplace that is of interest.

The Internationalization of Managers

American firms have matured internationally during the last two decades. Many no longer see themselves as U.S. companies with some overseas business, but rather as multinational companies serving worldwide markets. The impact of internationalization on the managers of these companies, however, has been paradoxical.

On the one hand, opportunities for expatriate assignments have been significantly reduced. Fewer Americans are stationed abroad now than in the past, both in terms of absolute numbers and,

Table 5-3
The Internationalization of Managers

	Percent Decreased	*Percent Same*	*Percent Increased*
Past 10 years:			
Expatriates abroad	50.0	26.1	22.7
Americans involved internationally	13.6	18.2	67.0
In the Future:			
Expatriates abroad	40.9	39.8	18.2
Americans involved internationally	17.0	25.0	56.8

especially, relative to the volume of business done overseas. Furthermore, the nature of these assignments has changed from general management roles to shorter-term technical and functional positions.

On the other hand, in the large international companies that are the subject of this study, the odds that *any* manager will be involved internationally have risen dramatically. People in "domestic jobs" find themselves involved in a substantial number of cross-border and crosscultural interactions. Plant managers in Michigan find that they need to coordinate production with their counterparts in Munich and Mexico City and purchase materials from Korea or Taiwan. Product-development people and product managers who have not been, and probably will not be, assigned abroad, routinely coordinate their activities globally.

These two opposing trends—a reduction in expatriates and an increase in international interaction—emerge from both the survey and interviews. Half of the firms responding to the survey said the number of Americans expatriates actually working abroad had decreased over the last 10 years, 26 per cent said it stayed the same, and only 23 percent reported an increase. (Note that the data in Table 5-3 are reported on a company rather than individual basis. Please see the appendix for details.) Over two-thirds of these companies, however, reported an increase in the number of Americans involved internationally during the past decade. (The questionnaire explained that international involvement included travel and other cross-border interactions in addition to actual assignments over-

seas.) Only 14 percent of the firms said that international involvement had decreased in the same time period, and 18 percent claimed no change.

Both trends are projected to continue. Forty-one percent of the respondents expect a further reduction of expatriates, while only 18 percent an increase. Fifty-seven percent of respondents said that they foresee an increase in the number of Americans involved internationally, and only 17 percent a decrease. The vast majority of the companies interviewed also noted a marked reduction in use of expatriates. Seventy-three percent said that the number of Americans assigned abroad had been reduced, while only eight percent claimed an increase. Most reported a marked expansion in the number of managers exposed to international business.

Which companies are the exceptions to the rule? First, as has been the case throughout this report, the banks. Only one of the banks surveyed reported a decrease in expatriates over the past decade, with the rest claiming an increase. Similarly, two of the four banks interviewed reported no change in assignments abroad, and two an increase. Second, two of the three extractive firms reported no change in assignments abroad, and one a reduction. Last, two of the three firms in the fabricated metals sector, primarily construction companies, reported an increase in expatriates.

Banking is a special case, since there is a need to maintain direct contact between headquarters and large overseas customers in the face of a difficult and volatile international financial situation. The interviews reveal that many of the expatriates abroad in extractive and construction firms are engaged in project-related or technical roles, rather than general management positions. They provide a service function for a specific project and then move on. The chairman of an international construction firm told me that while the number of Americans abroad in project-related jobs has increased, the number in general management positions is down substantially.

Many of the companies interviewed said that the replacement of American expatriates abroad by local nationals or, less frequently, third-country nationals (a Spaniard in Mexico, for example) is a matter of explicit policy. The cost of maintaining Americans abroad is very high, compared with local nationals or even expatriates from lower-wage countries or those which do not tax overseas income. Many respondents, however, prefer local nationals for reasons other than cost.

All else being equal, local nationals are more effective in their own

environment. They speak the language and are part of the culture, may be much more effective politically, and have better access to information than do expatriates. Furthermore, a number of people I spoke with feel local nationals attract higher-quality subordinates and have much better relationships with "the rank and file," customers, and distributors than do many expatriates. They also provide continuity, as they do not expect a move every few years. Some respondents mentioned implicit or explicit pressures from governments for indigenization.

Most of the managers I interviewed believe that there is much less of a need for expatriates now than there was in the past. As the quality of indigenous managerial and technical personnel has improved in Europe and in many of the LDCs, the American managerial advantage has narrowed. Furthermore, as the need for expatriates is greatest during a startup phase when a new venture is undertaken, the reduction in expatriates reflects, in part, the maturation of American business abroad.

The roles that the remaining expatriates occupy have also changed considerably. In the vast majority of instances, the old model of a corps of foreign service personnel, who spend much of their careers abroad rising though a succession of functional and general managerial posts in subsidiaries, no longer applies. Assignments now tend to be "one-shot," short-term postings intended to fill a need for a specific capability not available locally. Americans may go abroad to help with the introduction of a new product, to establish a technical or service center, or to fill a functional slot when no one is available in the subsididary.

Yet, the study also makes it clear that many jobs that were previously considered domestic, now entail international responsibilities and interaction. As one respondent noted, everyone in the company, including secretaries, is heavily involved internationally. Managers in his firm buy and sell abroad and need constant contact with their counterparts throughout the global organization. Another, working for an electrical products producer, said that the number of people in the United States involved in international business has grown dramatically as more and more of the business units are directly engaged overseas. A large part of many of the jobs in the company, whether specifically international or not, involve some cross-border contact. He expects anyone entering the business today to "interface" internationally during his or her career.

All of this suggests a potential problem. In the past, American

managers acquired country knowledge and international expertise by "being there and doing it," but these experiences are no longer an option for most. However, as more jobs require international interaction, the demand for international expertise will increase dramatically in most American firms. "International" is no longer the arcane purview of a small cadre of managers but is rapidly becoming a component of a wide variety of domestic jobs. Thus, just as the demand for international expertise appears to be on the verge of a significant increase, its traditional source is drying up. I will return to this point in the next chapter, but before I do, it is of interest to take a brief look at how managers first got involved internationally.

Draftees and Volunteers

I asked all of the people I interviewed how they got into international business in the first place. Their answers split into roughly two categories. For more than half (55 percent) the move did not result from their own initiative. Some were simply "drafted," asked to go to France or Brazil with little advance warning. For others—certainly the majority in this category—international responsibilities or assignments evolved as part of their career or business development. Some were promoted into roles that carried international responsibilities; others moved to a new product line or function that had operations overseas.

A considerable number (45 percent) were volunteers who actively sought international assignments. This group can be further split into those who for either business or nonbusiness reasons sought international jobs, and those committed internationalists whose careers, and often lives, are driven by a need for international involvement.

Virtually all of the 17 managers I interviewed who were born and brought up overseas, most of whom came to the United States through their companies, entered international business by choice. Of the remaining 80 American managers, I would classify only 31 (38 percent) as volunteers, and 24 of these volunteers as committed internationalists. All of the committed internationalists' strong interest was motivated by precareer experience in college, the military, government service, or the Peace Corps. Most would only consider companies that offered international opportunities, and several noted that they changed jobs in order to stay involved in international business.

A Peace Corps alumnus in an electrical products firm provides an example. He concentrated in International Business during his M.B.A. and then served in Latin America with the Peace Corps. He joined his present company because it offered an opportunity to work abroad. After a year on the job, he found that he was not going to be assigned overseas and he left to work for a U.S. government agency (AID) abroad. He was subsequently rehired and spent a number of years in overseas assignments before returning to a headquarters position. A banker I spoke with is another example of an internationalist. He was an exchange student in Latin America in college which led to an M.A. and Ph.D. in Latin American Studies. After a government job as a Latin American analyst, he went to work for a bank and has been involved in international business ever since.

It is important to note that in using the terms "draftee," "volunteer," and "internationalist," I am referring only to how a manager *first* got involved internationally. A number of people became enthusiastic international managers or even committed internationalists as a result of unsought exposure to international business. I was struck with the number who told me that their first assignment abroad was a turning point in their lives, by not only changing their careers, but significantly altering their interests and world view.

A manager in a medical products firm, with no international background whatsoever, was assigned to Mexico a number of years ago. While the move was unanticipated and unsought, he said that when he arrived in Mexico, he suddenly felt that he had "come home." Even though his attempt to learn Spanish in college was a "disaster," he rapidly became fluent and immersed himself in the environment. He now lectures regularly on Latin America and maintains a number of formal and informal contacts with Mexico.

The assignment of American managers to international jobs in the past cannot be characterized as a planned or even orderly process. Although I did not formally seek data on international managers who did not "work out," my impression from the discussions I did have on that topic is that the problem is significant. Managers who may have been quite competent at home had difficulty adapting to conditions abroad. While difficulties have been most obvious in expatriate assignments, problems can arise in any situation where a manager must interact across borders.

In the past, international business was a relatively small percentage of most companies' total. The number of managers actually

involved was also small and the sorts of difficulties discussed above presented minor problems for large firms. The situation, however, has changed. The percentage of many firms' total sales generated abroad is very significant and more and more managers are likely to have some international interaction. The costs of what was described by one manager as "throwing them in the water and seeing if they can swim" may no longer be tolerable.

6.
Conclusions

The managers I spoke with and surveyed are most concerned with developing the sensitivity and understanding necessary to operate effectively in a wide variety of contexts. In general, they developed this international expertise through experience, travel, and assignment overseas. Assignment abroad has been shown to be critical in a number of ways. It affects language competency, perceptions of the value of international expertise, and, for a surprising number of people, it changed their world view and, indeed, their lives. Many managers who had never thought much about the world at large became committed and competent internationalists as a result of unanticipated and unsought overseas experience.

Future opportunities to develop international expertise experientially, however, appear limited. In many firms, the number of expatriates has declined dramatically, and the nature of the roles of those who remain has changed significantly. At the same time, the demand for international expertise is exploding. International business has grown from a minor sideline to a significant proportion of many firms' sales and profits. It accounts for at least a fifth of the sales of every company in this study and over 40 percent for almost one-third. The change is qualitative as well as quantitative: domestic positions have become internationalized, and in many

firms, virtually every manager can expect some significant cross-border interaction during his or her career. In fact, the firm itself has become a microcosm, blending nationalities, cultures, and languages. Effective management within the organization requires sensitivity to these differences; it requires significant international expertise.

These conflicting trends pose two critical questions. First, where is the next generation of American international managers coming from? Many of those now in senior international positions have come up through the ranks as expatriates for a significant portion of their careers. That option is no longer open for most. One possibility is that host-country nationals will move from subsidiary to regional to corporate management. While comparisons are difficult to make, the number of foreign nationals I spoke with in the course of this study is impressive.

Second, staffing international positions is only the tip of the iceberg. How will the very large number of managers who will have significant international interactions in the normal course of their domestic careers develop the international expertise they will need to be effective? The real question is, how will American managers learn to function effectively in a firm that is multinational in the true sense of the word?

What is Needed?

Country knowledge in the sense of information about economic, political, and social environments abroad is certainly important in international business; new investment decisions and plan-development come readily to mind as situations where it is critical. A large number of American multinationals have, in fact, developed specialized staffs to provide political-economic analysis and forecasting. However, a manager cannot possibly become an expert in all of the countries with which he or she is concerned. In-depth knowledge of specific countries may well be limited to specialists or country and regional managers.

Most managers will need to develop sensitivity to time and place. They will have to *understand* how to operate outside of the United States; how to deal effectively with, and manage, a wide variety of people. This entails being able quickly to establish ground rules and to gain an understanding of social, economic, and political conditions when necessary. It requires being able to appreciate the differences that exist and being able to learn enough about a specific country to interpret and use analyses and forecasts intelligently.

Many whose international exposure is limited, understate both the differences and similarities between the world at large and their own country. This is particularly true for Americans, who live on a large and relatively homogeneous continent. As has been obvious throughout this report, one of the problems of international managers is convincing their colleagues that other countries are different: that people see things, do things, and approach problems in a variety of ways. They encounter difficulty convincing others that American policies, procedures, and management techniques must be adjusted, or might even be inapplicable, in other settings.

On the other hand, there is no need to overstate these differences, to assume that that it is impossible to learn to deal with other countries unless one is born there. The range of human experience is vast, but not infinite. International differences are not random and they can be studied systematically.

A large component of the international expertise that effective international management requires is what I have called general and comparative expertise. Most managers understand that differences do exist, that Mexico City is not Moline. They also need to learn that the differences are often systematic: that is, people, cultures, and countries vary along a number of specific dimensions such as directness in interpersonal interaction, the willingness to trust strangers, conceptions of time, political openness, and economic centralization. While it may be impossible to develop in-depth knowledge of every country one deals with, one can learn the major dimensions along which variation occurs—in culture, in social custom, in business practice, in political and economic organization—and the range that variation can encompass.

A manager can develop a framework in which specific countries can be placed, through which ground rules can be developed fairly quickly. One can go to a new country with some idea of what to look for to facilitate rapid experiential learning. Language can help in this regard. Learning a language provides a window into another culture. It also provides some important general lessons about how viewpoints and modes of expression vary. In a real sense, it simulates experience and helps one to understand the nature and extent of international differences.

How Important is International Expertise?

Differences in assessment of the importance of international expertise may be due, in part, to differences in experience. Some countries are easier to adapt to than others. Canada and Australia,

for example, are probably easier for an American to handle than Colombia or Japan, although even London has produced "culture shock" in more than one of the respondents.

Technology also matters. While Emerson may not have been 100 percent right about better mousetraps, a clear product or process advantage may offset the need for international expertise. That is especially true in high-technology industries such as computers, where national differences may not be terribly relevant.

However, I suspect that in most instances it is a mistake to separate managerial or technical tasks from their context. International expertise contributes to managerial effectiveness in most circumstances. The real question, then, is how important is the contribution made by international expertise and how important is the edge that it provides? At the level of both the individual company and the U.S. economy, I think that it *is* important, and is likely to become more so in the future.

There has been a great deal of discussion in recent years about restoring American competitiveness abroad. While the problem is complex, and would entail a thorough analysis that is beyond the scope of this report, in many industries the U.S. technological advantage has narrowed, or even been eliminated. As never before, we face competition from Europe, Japan, and even many of the more advanced developing countries. While managers may be able to get by with minimal international expertise, they may not be competitive internationally if European and Japanese firms do a better job of adaption and interaction. I suspect that as the technological gap narrows, that will apply to language also. While many people abroad can deal in English, many would rather not. Furthermore, the market and political-economic information gained as a result of language competency may provide an important competitive advantage. Regardless of what is done to spur technological development, increase productivity, and enhance competitiveness, at the end of the day doing business internationally means that someone has to go abroad to sell, service, and perhaps make the product. The ability to do these tasks as effectively as possible in a wide variety of contexts may well spell the difference between competitive success and failure in the future.

Given the increasing internationalization of many firms, the ability to interact across borders and to manage a wide variety of people may also be necessary for effective performance within the firm. It may affect a company's ability to run its worldwide business smoothly

and efficiently. International expertise does not, and will not, substitute for basic technical, functional, and organizational skills. However, I believe that the number of managers who feel that it is a critical component of effective performance, both overseas and in headquarters of multinational companies, will grow substantially.

If that is the case, how will we develop international expertise? In the absence of extensive opportunities for assignment abroad, how will managers obtain needed skills? It is not only the expertise itself that has come from assignments abroad, but the development of individual perceptions of its importance, of the value of language and of adaptability. As noted above, only a very small proportion of the managers with whom I spoke began as committed internationalists. A great many developed their interest in international management as a result of assignments abroad. In many firms, the idea of a job that is entirely domestic may be a thing of the past. Making everyone an internationalist, however, even to a minimal degree, is a formidable task. How will managers become interested in things international, become aware of the relevant differences, and learn about the forms they are likely to take, in the absence of extensive experience abroad?

How Will International Expertise be Developed?

Many of the people with whom I spoke argued vehemently that you cannot learn to operate abroad, "to play with the kids on the street," from books alone. While that may be the case, opportunities for expatriate experience are becoming more limited, just as the need for international expertise is increasing dramatically. We shall have to make use of methods to develop an interest in and an understanding of the world outside of the United States, that do not depend on direct experience. A major burden will fall on the educational system, both formally in undergraduate and graduate courses, and informally through a variety of continuing education and inservice programs. Educational institutions and companies will have to find new ways to substitute education and training for experience. The sink-or-swim approach of the past will not meet the needs of the future.

Three things need to be accomplished. First, an interest in international affairs and other countries must be stimulated in a much larger proportion of Americans. Second, through a variety of formal courses, simulations, and perhaps short-term experiences abroad, present and future managers must be better equipped to

make effective use of whatever international experience comes their way. They need to learn what to look for and how to react in advance of international exposure. Last, I feel strongly that some competency in at least one language *must* become the norm.

Language competency is of value both for its own sake and as a means of teaching a more general lesson. Language training can help simulate experience abroad by providing an intuitive understanding of international differences. The interviews strongly suggest that one needs to have some competency in another language to appreciate its value. Furthermore, many people overstate the difficulty of learning to communicate in another language and understate the feeling of accomplishment it provides. Gaining some degree of competency in any language makes learning another much easier, and more likely.

This means that educators must do a great deal more to help develop international interest and expertise in their students and that companies must take explicit steps to develop international expertise in their employees. Managers no longer have the opportunity to pick it up as they go along, and, in any event, the demands for international expertise within many firms will become too great to depend on happenstance.

My primary objective in this report was to explore the nature and importance of international expertise in American firms. However, as the underlying motivation for the project was an interest in how all of this effects educational institutions, and particularly international programs, I will close by addressing that topic. It should be clear that the discussion is my personal opinion, as the research I undertook was limited to practice in companies.

Implications for Education

Some of the findings of this study are not encouraging for area studies and language programs. While many firms employ staff specialists with area studies or international-relations backgrounds, their number is small and the demand likely to remain low. The need for managers with international expertise and language skills in American firms does not imply (even if that need is broadly recognized, which it is not) that companies will hire Spanish majors or East-Asian specialists. With few exceptions, firms hire people with technical and/or functional skills: engineers, financial analysts, sales personnel, accountants, and strategic planners. Even if the value of a language or area specialization is recognized more

widely, it is likely that it will be seen in terms of enhancing basic technical or business skills.

That certainly does not mean that everyone must have an M.B.A. It does mean that the odds are low that an individual will be hired by a business firm on the basis of a language, area studies, or international-relations major alone, particularly at the graduate level.

Yet, it is critically important that students who plan managerial careers in large international firms develop at the college level the basis for acquiring international expertise. First, that means at least some language competency. Second, it means developing a systematic understanding of the differences in political and economic systems, culture, behavior, world view, and interpersonal interaction that one finds once one leaves home. That requires traditional academic courses, perhaps including comparative politics, economics, and anthropology, taught in such a way as to leave the student with a framework upon which to build through further study and experience. It also requires nontraditional courses that involve simulations and negotiating exercise. What is important is that the student develop a systematic understanding of international differences and an ability to analyze and synthesize on his or her own.

Any significant experience abroad, even for a short period, would be worthwhile. That obviously means more than a trip to Europe after graduation. It could entail student exchanges, a semester abroad, internships with companies overseas, or Peace Corps assignments. While academic work is critically important, there is no substitute for that sort of experience in motivating an international interest.

These conclusions apply *only* to preparation for managerial careers. One would hope, in a world as interdependent as ours, that there would be extensive demand outside of business for a wide variety of graduates of language, area, and international studies programs.

7. Appendix: Research Method

The population or sampling frame for the study was defined as large, international, American firms. While smaller firms are of interest, their number makes systematic sampling impossible, given available resources. Large international firms were operationalized as Fortune 500 firms with at least 20 percent of their sales generated abroad, plus the 15 largest money center banks. Data was obtained from The Conference Board's *Key Company Directory* (1980) for the industrial firms and from published sources for the banks. A total of 202 industrials met the criteria, resulting in a total of 217 when adding the 15 banks.

As the study was exploratory, primary reliance was placed on structured interviews. The initial objective was to interview approximately 40 firms. Interview targets were selected using a stratified quota sample. The population was divided into 19 industry groups (three-digit S.I.C. code) and roughly 18 percent of each group were selected randomly for interview. The initial selection was modified, within groups, to reflect geographic limitations and access; thus, the sample is not randomly drawn.

In most companies, a letter was sent to a senior international manager requesting three interviews: one with the recipient, one with a more junior line manager, and one with someone with in-

ternational staff responsibilities. All but four of the contacted companies complied with the request for an interview; the number of managers interviewed ranged from one to eight. Ninety-eight interviews were conducted in 37 firms.

While location was a factor in selecting firms to interview, some geographic dispersion was achieved. Companies on the west coast, in the southwest, and midwest were visited, as well as a large number in the Boston-Washington corridor. Three variables were used to test for bias in the sample interviewed; sector, size (sales), and internationalization (percent of sales generated abroad). Using the standard chi-squared tests, the distributions of firms interviewed were found to be representative of the population on each of these variables. Bias was not a factor.

One hundred sixty-nine of the remaining firms were contacted through a mailed survey. (Eleven were held as possible candidates for interviews but never contacted.) Either a senior international officer, or if one could not be identified, the chief operating officer, was sent a letter with two questionnaires. The letter explained the purpose of the study and requested that either the respondent complete the questionnaire and the second be sent to another manager with international responsibilities, or (if the respondent was a C.O.O.) that both questionnaires be forwarded to international managers. The response rate elicited by letters sent to C.O.O.s and senior international managers was not significantly different. A follow-up letter was sent with another questionnaire four weeks after the initial letter.

Fifty-two percent of the firms responded; however, not all the firms returned two questionnaires. One hundred twenty-five individual managers responded, which means that 37 percent of the total questionnaires sent were returned. The same variables were used to test for bias as for the interview sample. On both the basis of companies (N = 169) and individual managers (N = 338) the sample of returns were representative of the population, within conventional limits.

Respondents were asked to identify themselves, their position, and their industry. Return envelopes were used to identify the company. Only two returns could not be positively identified. While a mailed survey always raises doubts as to who actually completed the questionnaire, the distribution of nominal positions and functions was appropriate. When two returns were obtained from a company, responses were coded to identify one as the primary re-

turn, usually selecting the senior line manager. Questionnaires where the company rather than the individual was the appropriate unit of analysis (for example, use of expatriates) were analyzed on a company (N = 88) basis.